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March 31, 2017

**Filed Via Delafile**

Donna Nickerson  
Secretary  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, DE 19904

Re: Docket No. 14-193 – Compliance Filing Per Paragraph 5 of  
Exhibit A to Order No. 8952

Dear Ms. Nickerson:

Pursuant to the requirement of Paragraph 5 of Exhibit A to PSC Order No. 8952 in the above referenced docket, enclosed please find the report of Delmarva Power & Light Company regarding supplier diversity efforts for 2016.

Should you have any questions, please do not hesitate to contact me at 302-429-3143 or Heather Hall at 302- 451-5325.

Respectfully submitted,

  
Pamela J. Scott

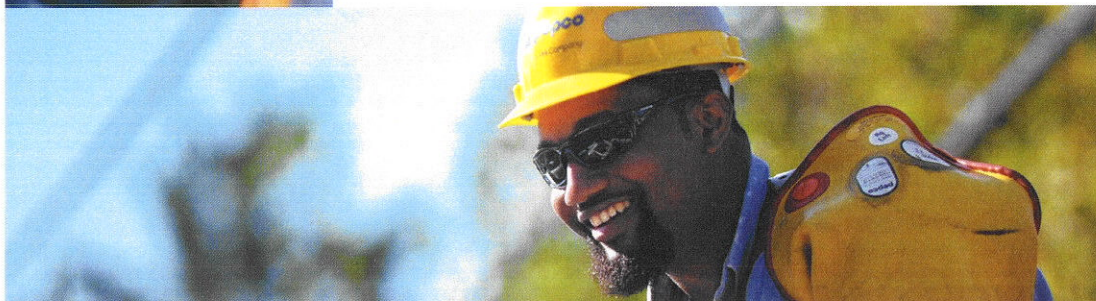
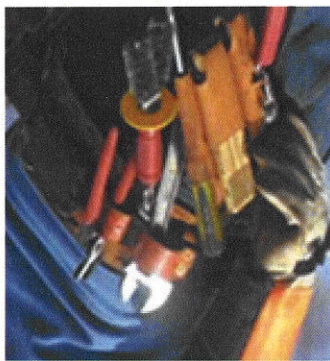
Enclosure

cc: Heather Hall (w/enclosure)  
Lisa Decker, Esquire (w/enclosure)

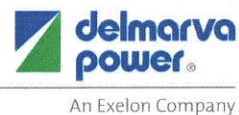
# **Delmarva Power & Light Company Supplier Diversity Program 2016 Annual Report**

for

## **Delaware Public Service Commission**



**March 31, 2017**



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## 1.0 EXECUTIVE SUMMARY

The following is a report hereby submitted by Delmarva Power & Light Company (Delmarva Power or the Company), an Exelon company, for the Delaware Public Service Commission, in compliance with certain merger commitments to submit a report annually for a period of five years following the close of the merger.<sup>1</sup>

In 2016, Delmarva Power and its parent company Exelon surpassed its goals for the inclusion of, and expanding relationships with diverse suppliers. Through careful planning and concerted effort to implement the Exelon Diverse Business Empowerment (EDBE) process, Delmarva Power purchased \$49.6 million in goods and services from diversity certified suppliers, or 18.5 percent of total Delmarva Power spend, exceeding its 2016 goal of 14.2 percent. Delmarva Power has increased spend with diversity certified suppliers from \$7 million in 2009 to \$49.6 million in 2016, which is a 585 percent increase over the 7 year period.<sup>2</sup>

Delmarva Power's success stems from combining the Company's successful supplier diversity program and Exelon's mature and strategically focused diverse business empowerment processes. Delmarva Power/Exelon's combined economies of scale and geographic expansion has created additional contracts and new customer opportunities for diverse suppliers.

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<sup>1</sup> Delaware Public Service Commission Order No. 8952 in Docket No. 14-193 (October 16, 2016) at Ex. A, ¶ 5 provides that Delmarva Power shall file with the Commission a supplier and workforce diversity report on an annual basis for a period of three years following consummation of the Merger. At the request of Commissioner Gray made during the Commission's regularly scheduled open meeting on October 16, 2016, Delmarva Power agreed to file the report for a period of five years following consummation of the Merger.

<sup>2</sup> All spending numbers included in this report apply to Delmarva Power & Light Company as a whole, which includes the combined spending for Delmarva Power's territories in both Delaware and Maryland.



## **2.0 PROGRAM ACTIVITIES**

### **2.1 Internal Activities**

#### **Integration into Sourcing Goals and Processes**

Achievements in the EDBE process are not possible without the leadership of Delmarva Power/Exelon's senior executives, the guidance of the Exelon Board of Directors and the commitment of Delmarva Power/Exelon employees. As with all key areas of the business, Delmarva Power's senior executives measure performance against diversity metrics in support of the corporate culture. Meeting diversity goals is not a one-time event, but a continuous and proactive process of defining, measuring, managing, evaluating and rewarding.

Delmarva Power's internal diverse business empowerment process continues to drive success using clear and deliberate internal communications which promote stakeholder engagement, thus contributing to the increase in diverse spending. During 2016, the Supply leadership team and sourcing groups identified appropriate sourcing opportunities, and invited diversity certified suppliers to all sourcing events. Supply Sourcing personnel regularly alerted Delmarva Power's Diverse Business Empowerment (DBE) office when emerging bid opportunities arose, and Delmarva Power's DBE Office assisted in the management of inclusion tactics in all strategic sourcing initiatives.

Collaboration between Exelon's DBE team and the Supply organization employees encouraged them to participate in Delmarva Power's DBE networking events, and to promote supplier diversity throughout the entire corporation. This year, more than any other, timely communications with Delmarva Power's DBE Office allowed for efficient research of best-in-class diverse suppliers throughout our network. The Company's internal communications process continues to utilize the following tactics to ensure consistency and process success:

- Actively sharing bid opportunities with Delmarva Power's DBE Office, which in turn researches and pre-qualifies diversity certified suppliers to participate in sourcing events;
- Coordinating efforts to assist with goal-setting, ensuring co-ownership of supplier diversity goals;
- Ensuring that Delmarva Power's DBE Office information is communicated to internal clients in Delmarva Power and to external, non-diverse suppliers for utilization of diversity certified subcontractors;
- Regular reporting of the progress of Delmarva Power's DBE Office to senior leadership; and
- Reviewing current contracts to ensure maximized diverse supplier opportunities.

### **Process Quality Benchmarks**

Delmarva Power's DBE Office conducts regular benchmarking of best practices in supplier diversity programs among its industry peers, as well as with leading supplier diversity advocacy organizations, such as:

- The National Minority Supplier Development Council's (NMSDC) Best Practice Task Force & Utility Industry Professionals Group
- Maryland Utility Forum on Supplier Diversity
- National Association of Regulatory Utility Commissioners Committee on Supplier and Workforce Diversity (formerly entitled the Utility Marketplace Access Program)

Delmarva Power Supplier Diversity is considered to be in the top quartile of private sector programs because the Company's Diverse Business Empowerment initiative meets the criteria of a world class program according to recognized standards established by the oldest and leading supplier diversity organization, the NMSDC, as follows:

- Corporate policy and top corporate management support;
- Supply personnel and management are engaged in identifying opportunities and compensation is tied to performance;
- Comprehensive internal and external communications and outreach;
- Established goal setting, tracking and reporting mechanisms;
- Subcontracting program (also known as Second Tier Program); and
- Continuous Supplier Diversity Improvement Plan, Programs and Processes.

### **Key Meetings and Conferences**

First and foremost, Diverse Business Empowerment is a standing agenda item at the Exelon Chief Supply Officer's staff meetings, bringing visibility and accountability to this important area. Supplier Diversity was also a strategic initiative discussed at key Delmarva Power/Exelon meetings and conferences in 2016. Additionally, supplier diversity goals and key initiatives were highlighted at meetings such as Pepco Holdings Annual Leadership meeting, various operational department meetings, and other events. Highlighting the importance of supplier diversity to the Company, Exelon's Director of Diverse Business Empowerment also presented a supplier diversity program update to Exelon's Board of Directors. Executive-level meetings were held between supply leadership and the leadership of various departments to discuss supplier diversity results and any needed gap-closing plans. Throughout 2016, Delmarva Power's leadership reiterated the call for all internal key stakeholders to support Company efforts to achieve supplier diversity spending goals. At external events, the topic of supplier diversity became a point of focus in officer-level speeches and panel discussions.

### **EDBE Department Staffing**

To support the Delmarva Power Supplier Diversity Program and EDBE process management, Exelon has a director-level manager reporting to the Senior Vice President and Chief Supply Officer who is accountable for leading the execution of the corporate EDBE strategy. Additional resources include:

- Four manager level employees working on all aspects of the supplier diversity process;
- A shared business analyst and a full-time administrative staff person for data and communication support, respectively; and
- Supply category managers who are measurably accountable champions for the EDBE process throughout the sourcing organization, and are responsible for the inclusion of diverse suppliers in the sourcing process.

### **Pepco Holding's Diversity and Inclusion Council**

Delmarva Power continued to rely on the widespread involvement and support of its employees to achieve its supplier diversity goals. Pepco Holding's Diversity and Inclusion (D&I) Council, an Exelon corporate initiative, was launched during the fourth quarter of 2016. Supplier Diversity, an integral part of the D&I Council, contributed to the 2017 Plan with specific goals to increase diverse spend and diverse supplier development. The Council members will serve to increase the internal understanding and commitment for supplier diversity inclusion by building awareness of Delmarva Power's goals and achievements for the supplier diversity program. Another major benefit of the D&I Council is that it educates and raises awareness among Council members themselves, so they may champion diverse supplier perspectives and inclusive behaviors within their own work environment.

The D&I Council will assist in advancing the 2017 Supplier Diversity goal for Delmarva Power, which will be 20 percent.

## **2.2 External Activities**

### **Outreach**

Delmarva Power's DBE Office constantly builds relationships with diverse suppliers and ensures active involvement with minority business development and procurement organizations. As a result, Delmarva Power shares a large database of qualified suppliers. Delmarva Power's knowledge of diverse suppliers is also enhanced by staff participation in local, regional and national diverse supplier advocacy organizations.

The Supply sourcing teams worked with regional organizations to leverage their resources and ensure local diverse contractors were positioned for successful participation in future bid opportunities in these categories. The national and regional organizations that Delmarva Power works with include:

- Eastern Minority Supplier Development Council
- Women Business Enterprise Council of PA-NJ-DE
- National Association of Regulatory Utility Commissioners – Workforce and Supplier Diversity
- National Minority Supplier Development Council
- Women's Business Enterprise National Council
- The National Association of Women Business Owners (NAWBO)
- The African American Chamber of Commerce of PA, NJ, DE

## **Delmarva Power's DBE Supplier Development**

Delmarva Power has long recognized that diverse supplier performance can be enhanced through effective supplier development programs. In 2016, planning was started to launch a Focus 25 Program in 2017. Focus 25 is a yearlong initiative to improve diversity certified supplier capabilities to win contracts in an increasingly rigorous sourcing environment and assist in advancing their capacity building strategies. The participants will be exposed to best value concepts from field safety, just in time delivery, lowering costs and other best practices that foster business growth through innovation. The underlying purpose of the program is to provide a select group of diversity certified suppliers with the tools and knowledge to attain their next level of growth in their business through ongoing one-on-one mentorship, technical assistance workshops highlighting business development processes, safety policies and the nuances of the Delmarva Power/Exelon sourcing processes.

The number of companies selected has not yet been finalized; however, suppliers are selected based upon various criteria such as annual revenue, experience and valid diversity certification. The initial session will start in the second quarter of 2017 and continue monthly through the end of the year. Focus 25 includes networking opportunities with key Delmarva Power leaders and Supply personnel as well as instruction by Company subject matter experts.

In the second and third quarters of 2016, the EDBE Director presented a *How to Do Business with Pepco Holdings* session at the Pepco Holdings' headquarters in Washington, D.C. and at the Atlantic City Electric Company headquarters in New Jersey. The sessions were attended by more than 200 suppliers from the Mid-Atlantic region.

## **3.0 SUPPLIER DIVERSITY PROGRAM PERFORMANCE**

### **Performance**

Delmarva Power exceeded its goals for the 2016 year by \$11.5 million in spending with certified diversity suppliers achieving 4.3 percent above the 14.2 percent target. The following is a breakdown comparing Delmarva Power's reported annual 2016 goal with actual performance:

	Actual Diverse Payments	DPL Goal (%)	2016 Actual (%)
<b>Total</b>	<b>\$49.6 M</b>	<b>14.2%</b>	<b>18.5%</b>

### **Success**

In 2016, Blue Hen Utility Services, a certified woman owned contractor by the leading third party certifying organization for women, the Women's Business Enterprise National Council, was awarded the coveted Contractor of Choice (COC) designation by Pepco Holdings. COCs are designated as suppliers who are best in class for selected categories of services. The company specializes in providing electrical



utility services in Delaware and the surrounding tristate area, including Maryland, Pennsylvania and New Jersey.

Frontier Technology, a female Asian owned firm based in Delaware, played a very important role in providing desktop support services for personal computers and peripheral devices to Delmarva Power and other Exelon utilities.

#### **Delmarva Power/Exelon High-Margin/Professional Services Firm Strategy**

Exelon Corporation's high-margin strategy for diverse suppliers has been regarded as an industry best practice over the past six years. It focuses on eight spending categories in the professional services areas: Advertising and Marketing, Business Consulting, Engineering and Technical Consulting, Financial Services, HR Services, IT Professional Services, Legal, and Banking. The high-margin EDBE strategy was undertaken because these businesses typically have higher profit margins and, therefore, have an increased capacity to contribute to community economic development (jobs and community-based organization support).

## **4.0 PRIME CONTRACTORS EFFORTS TO UTILIZE DIVERSE SUBCONTRACTORS**

The 2015 payments to subcontractors by Delmarva Power prime contractors was \$4.6M. The results of Delmarva Power's efforts to encourage prime contractors to utilize diverse subcontractors resulted in \$8M paid to certified diverse subcontractors by prime suppliers, a 45 percent increase over 2015. Some highlights include:

Prime	Description of Work Subcontracted
AUI Inc.	Maintenance, Repairs & Operations
Utility Lines Construction Services	Distribution Construction
Asplundh Tree Expert Co.	Vegetation Management
Anixter	Electric Distribution Equipment

Supplier Diversity remains a core value of Delmarva Power. Combining Delmarva Power's successful supplier diversity program and Exelon's mature and strategically focused diverse business empowerment processes led to the 2016 achievements. While the Company is proud of its 2016 results, every effort will be made to exceed the 2017 goals.